

## **RECOMMENDED CHANGES TO FCC RULES AND REGULATIONS:**

### **Changes to Part 32**

\* Denotes account required only if carrier seeks Equivalent Switching Support (ESS), as per 54.1300 in the WiPan proposal.

A new Subpart G begins at 32.8000.  
The prior Subpart G Glossary is now Subpart H.

#### **32.8000 Accounting Rules for Wireless Carriers**

The following accounts shall be used by wireless eligible telecommunications carriers for use in populating the inputs as referenced at 54.1000-1904 (Wireless Carrier Actual Cost – WiPan proposal).

## **INVESTMENT AND RESERVE ACCOUNTS**

#### **32.8100 Telecommunications Plant in Service**

(a) This account shall include all amounts, utilized by carriers subject to this section, related to allowable telecommunications plant in service.

(b) If the applicable regulatory authority has placed build-out requirements on the wireless CETC, any amounts not yet placed into service by the carrier as of the target date will be imputed as if placed in service for purposes of 54.1000.

(c) This amount shall be input on line 160 of the WiPan HCL algorithm.

#### **\*32.8102 Property held for future telecommunications use**

(a) This account shall include the original cost of property owned and held for no longer than two years under a definite plan for use in telecommunications service.

#### **\*32.8103 Telecommunications plant under construction**

(a) This account shall include the original cost of construction projects and the cost of software development projects that are not yet ready for their intended use.

#### **\*32.8105 Telecommunications Plant Adjustment**

(a) This account shall include amounts representing the difference between: (1) the fair market value of the telecommunications plant acquired, plus preliminary expenses incurred in connection with the acquisition; and (2) the original cost of such plant, governmental franchises and similar rights acquired, less the amounts of reserve requirements for depreciation and amortization of the property acquired. If the original

cost is now known, the entries in the account shall be based upon an estimate of such costs.

32.8122        Materials and Supplies

(a) This account shall include amounts related to the cost of material and supplies held in stock including plant supplies, motor vehicles supplies, tools, fuels, other supplies and material and articles of the company in process of manufacture for supply stock.

(b) This amount shall be input on line 170 of the WiPan HCL algorithm.

\*32.8130        Deferred Maintenance and Retirements

(a) This account shall include the cost of preliminary surveys, plans and investigation made for construction projects under contemplation, as well as the cost of evaluations, inventories, and appraisals taken in connection with the acquisition or sale of property.

\*32.8141        Other Non-current Assets

(a) This account shall include the acquisition cost of the company's investment in equity or other securities issued or assumed by affiliated companies, including securities held in special funds. The carrying value of the investment accounted for on the equity method shall be adjusted to recognize the company's share of the earnings or losses and dividends received or receivable of the affiliated company from the date of acquisition.

(b) This account shall include the acquisition cost of the Company's investment in securities issued or assumed by nonaffiliated companies and individuals, and also its investment advances to such parties and special deposits of cash for more than one year from the date of deposit.

(c) This account shall include the total unamortized balance of debt issuance expense for all classes of outstanding long-term debt. Debt issuance expense includes all expenses in connection with the issuance and sale of evidence of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; costs of engraving and printing bonds, certificates of indebtedness, and other commercial paper; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesman; fees and expenses of listing on exchanges, and other like costs.

(d) This account shall include the amount of cash and other assets which are held by trustees or by the company's treasurer in a distinct fund, for the purpose of redeeming outstanding obligations.

(e) This account shall include the amount of all noncurrent assets which are not includable in paragraphs (a) through (d) of this section.

32.8171        Accumulated Depreciation

(a) This account shall include the accumulated depreciation associated with the investment contained in Account 8100, Telecommunications Plant in Service.

(b) This amount in total shall be input on line 190 of the WiPan HCL algorithm.

(c) This account shall include detailed sub accounts so as to permit the following input for the WiPan HCL algorithm (noted parenthetically below are the WiPan input line numbers):

General Support (no input)  
Wireless Switching (line 260)  
Operator System Equipment (line 265)  
Wireless Transmission (line 270)  
Hand Sets (no input)  
Spectrum Acquisition\* (line 280)  
All other (no input)

\* For the Spectrum Acquisition reserve, a true-up accounting entry for WiPan purposes equivalent to the amount that the carrier has previously amortized the spectrum is required. If the carrier has adopted Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets, amortization of the wireless license may have ceased as of a certain date if a determination was made that they are indefinite lived intangible assets. If this is the case, no additional amortization is required for WiPan.

32.8172        Accumulated Amortizable Depreciation

(a) This account shall include amounts of accumulated amortization related to capital leases and leasehold improvements.

(b) This amount shall be input on line 195 of the WiPan HCL algorithm.

\* 32.8175        Net Current Deferred Operating Income Taxes

(a) This account shall include the balance of income tax expense related to current items from regulated operations which have been deferred to later periods as a result of the normalized method of accounting for tax differentials authorized by this Commission and not provided for elsewhere.

(b) As regulated assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from Account 32.8176, Net Noncurrent Deferred Operating Income Taxes, to this account.

32.8176 Net Noncurrent Deferred Operating Income Taxes

(a) This account shall include the balance of income tax expense related to non-current items from regulated operations which have been deferred to later periods as a result of comprehensive interperiod tax allocation related to temporary differences that arise from regulated operations.

(b) This amount shall be input on line 210 of the WiPan HCL algorithm. (Note: A credit balance is input as a positive amount and a debit balance is input as negative.)

(c) This account shall include detailed sub accounts so as to permit the following input for the WiPan HCL algorithm (noted parenthetically below are the WiPan input line numbers):

Wireless Switching (line 310)  
Operator System Equipment (line 315)  
Wireless Transmission (line 320)  
Spectrum Acquisition (line 330)  
All other (no input)

\*32.8180 Customers' deposits

(a) This account shall include the amount of cash deposited with the company by customers as security for the payment for telecommunications service.

\*32.8190 Other Long-Term Liabilities

(a) This account shall include amounts accrued to provide for such items as unfunded pensions if actuarially determined, death benefits, and other long-term liabilities not provided for elsewhere.

32.8212 General Support Assets

(a) This account shall include amounts in land, motor vehicles, aircraft, tools and other work equipment, buildings, furniture, office equipment, and general purpose computers.

32.8221 Wireless Equipment – Switching

- (a) This account shall include amounts in switching (e.g., MTSO) investment.
- (b) This amount shall be input on line 230 of the WiPan HCL algorithm.

32.8222 Wireless Equipment – Operator

- (a) This account shall include amounts in operator systems investment.
- (b) This amount shall be input on line 235 of the WiPan HCL algorithm.

32.8223 Wireless Equipment – Transmission and Towers

- (a) This account shall include amounts related to cell site towers.
- (b) This account shall include amounts used for the amplification, modulation, regeneration, balancing or control of signaling transmitted between towers and switching points (e.g., for rural wireless carriers, this would include backhaul equipment costs).
- (c) This amount shall be input on line 240 of the WiPan HCL algorithm.

32.8231 Hand Set Costs

- (a) This account shall include amounts related to the cost of customer handsets, including subsidies.
- (b) No amounts from 32.8231 are to be included into the WiPan HCL calculation.

32.8242 Spectrum Costs

- (a) This account shall include amounts related to spectrum acquisition, maintained by vintage.
- (b) This amount shall be input on line 255 of the WiPan HCL algorithm.

32.8268 Amortizable Tangible Assets

- (a) This account shall include amounts related to property acquired under capital leases and the original cost of leasehold improvements. (WiPan HCL line 800)

(b) This account shall include detailed sub accounts so as to permit the following input for the WiPan HCL algorithm (noted parenthetically below are the WiPan input line numbers):

Wireless Transmission (line 805)  
All other (no input)

\* 32.8269      Intangibles

(a) This account shall include the cost of organizing and incorporating the company, the original cost of government franchises, the original cost of patent rights, and other intangible property having a life of more than one year and used in connection with the company's telecommunications operations.

(b) The amortization associated with the costs recorded in the Intangibles account will be credited directly to this account, leaving a balance representing the unamortized cost.

(c) This account shall not include any discounts on securities issued, nor shall it include costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance, sale or resale of capital stock.

(d) When charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included in this account on the books of the various companies concerned shall not be carried over.

## OPERATING EXPENSE AND TAX ACCOUNTS

WiPan algorithm (54.1000) input line numbers are shown parenthetically in order to assist wireless carriers with their USF reporting obligations.

32.8601      Network Support expenses

(a) This account shall include amounts related to plant specific (e.g., maintenance) expenses for items related to motor vehicles, aircraft, and tools and other work equipment. (WiPan HCL input line number 335).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan HCL input line number 340) and rents (WiPan HCL input line number 345).

(c) Credits shall be made to this account for amounts transferred to Construction and/or other expense accounts. These amounts shall be computed on the basis of direct labor hours.

32.8602        General Support expenses

(a) This account shall include amounts related to plant specific (e.g., maintenance) expenses for items related to land and buildings, furniture and artworks, office equipment, and general purpose computers. (WiPan HCL input line number 350).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan input line number 355) and rents (WiPan HCL input line number 360).

(c) Credits shall be made to this account for amounts transferred to Construction and/or other expense accounts. These amounts shall be computed on the basis of direct labor hours.

32.8604        Wireless Switching expenses

(a) This account shall include amounts related to plant specific (e.g., maintenance) expenses related to wireless switching investment. (WiPan HCL input line number 365).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan input line number 370) and rents (WiPan HCL input line number 375).

(c) Credits shall be made to this account for amounts transferred to Construction and/or other expense accounts. These amounts shall be computed on the basis of direct labor hours.

32.8605        Operator expenses

(a) This account shall include amounts related to plant specific (e.g., maintenance) expenses related to wireless operator investment. (WiPan HCL input line number 380).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan input line number 385) and rents (WiPan HCL input line number 390).

(c) Credits shall be made to this account for amounts transferred to Construction and/or other expense accounts. These amounts shall be computed on the basis of direct labor hours.

32.8606 Wireless Transmission expenses

(a) This account shall include amounts related to plant specific (e.g., maintenance) expenses related to wireless transmission investment. (WiPan HCL input line number 395).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan input line number 400) and rents (WiPan HCL input line number 405).

(c) Credits shall be made to this account for amounts transferred to Construction and/or other expense accounts. These amounts shall be computed on the basis of direct labor hours.

32.8610 Wireless Spectrum expenses

(a) This account shall include amounts related to plant specific (e.g., maintenance) expenses related to wireless spectrum investment. (WiPan HCL input line number 430).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan input line number 435) and rents (WiPan HCL input line number 440).

(c) Credits shall be made to this account for amounts transferred to Construction and/or other expense accounts. These amounts shall be computed on the basis of direct labor hours.

32.8611 Network operations expenses

(a) This account shall include amounts related to plant specific (e.g., maintenance) expenses for items related to power, network administration, testing, plant operations administration, and engineering. (WiPan HCL input line number 450).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan HCL input line number 455).

(c) Credits shall be made to this account for amounts transferred to Construction and/or other expense accounts. These amounts shall be computed on the basis of direct labor hours.

\*32.8612 Other property, plant and equipment expense

(a) This account shall include amounts associated with property held for future telecommunications use and for provisioning of material and supplies, including office supplies.

32.8608 Depreciation Expense

(a) This account shall include amounts related to the depreciation expense of capitalized costs included in Accounts 8122 through 8242, inclusive.

(b) This account shall include detailed sub accounts so as to permit the following input for the WiPan algorithm (noted parenthetically below are the WiPan HCL input line numbers):

General Support (no input)  
Wireless Switching (line 510)  
Operator System Equipment (line 515)  
Wireless Transmission (line 520)  
Hand Sets (no input)  
Spectrum Acquisition (line 530)  
Other (no input)

(c) For input into the WiPan HCL algorithm for line 530, the depreciation rate to be applied to the spectrum acquisition account is no greater than 5% per annum. If the carrier has adopted Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets, amortization of the wireless license may have ceased as of a certain date if a determination was made that they are indefinite lived intangible assets. If this is the case, no additional amortization is permitted for WiPan.

\*32.8631 Hand Set Expense

(a) This account shall include amounts related to expenses incurred related to items in Account 8231.

\*32.8640 Access Expense

(a) This account shall include amounts paid by interexchange carriers of other exchange carriers to another exchange carrier for the provision of carrier's carrier access.

\*32.8650 Customer Services Marketing Expense

(a) This account shall include product management and sales activities, including competitive analysis, product and service identification and specification, test market planning, demand forecasting, product life cycle analysis, pricing analysis, and identification and establishment of distribution channels.

(b) This account shall include costs incurred in selling products and services, including the determination of individual customer needs, development and presentation of customer proposals, sales order preparation and handling, and preparation of sales records.

(c) This account shall include costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services. This excludes nonproduct-related advertising, such as corporate image, stock and bond issue and employment advertisements, which shall be included in the appropriate functional accounts.

\*32.8655      Customer Operations Services Expense

(a) This account shall include costs incurred in helping customers place and complete calls; costs incurred in providing customer number listings; and costs incurred in establishing and servicing customer accounts.

32.8665      General administrative expenses

(a) This account shall include amounts related to: providing accounting and financial services; maintaining relations with government, regulators, other companies and the general public; performing personnel administration activities; planning and maintaining application systems and databases for general purpose computers; providing legal services; procuring material and supplies, including office supplies; performing general administrative activities not directly charged to the user or detailed in this paragraph above. (WiPan HCL input line number 550).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan HCL input line number 555).

32.8675      Executive and planning expenses

(a) This account shall include amounts related to: formulating corporate policy and in providing overall administration and management, including the pay, fees and expenses of boards of directors or similar policy boards and all board-designated officers of the company and their office staffs; developing and evaluating long-term courses of action for the future operations of the company. (WiPan HCL input line number 535).

(b) This account shall provide sufficient detail so that the carrier may identify benefits (WiPan HCL input line number 540).

32.8720      Operating Taxes

(a) This account shall include amounts related to the amount of Federal income taxes booked in the current period; the amount of state and local income taxes booked in the current period; and all taxes, other than Federal, state and local income taxes and payroll related taxes, related to items such as property, gross receipts, and franchise and capital stock taxes. (WiPan HCL input line number 650).

(b) This account shall also reflect subsequent adjustments to amounts previously charged.

\*32.8721      Operating Investment Tax Credits – Net

(a) This account shall be charged with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(b) This account shall be credited with the amortization of each year's investment tax credits. Such amortization shall be determined in relation to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

\*32.8725      Provision for Deferred Operating Income Taxes – net

(a) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for income tax expense that has been deferred:

32.8175	Net Current Deferred Operating Income Taxes
32.8176	Net Noncurrent Deferred Operating Income Taxes

\*32.8730      Operating Other Taxes

(a) This account shall be charged for all taxes, other than Federal, state, and local income taxes and payroll related taxes, related to regulated operations applicable in the current periods. Among the items includable in this account are property, gross receipts, and franchising and capital stock taxes.

\*32.8744      Charitable Contributions

(a) This account shall include contributions for charitable, social or community welfare purposes. For purposes of the ESS mechanism, contributions related to naming rights on professional sports stadiums are excluded.

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\*32.8750 Interest and Related Items

(a) This account shall include the current accruals of interest on all classes of funded debt.

(b) This account shall not include charges for interest on funded debt issued or assumed by the company and held by or for it, whether pledged as collateral or held in its treasury, in special deposits or in sinking or other funds.

## Changes to Part 54

A new Subpart L begins at 54.1000.

### Subpart L – Wireless Carrier Actual Cost (WiPan) Mechanism for Wireless Carriers

#### 54.1000 HCL Support for Wireless ETCs

(a) Concurrent with the Commission order dated [month date, 2008] abolishing the identical support rule, wireless carriers are eligible to submit cost data that provides universal service support on an identical basis to that of wireline carriers. In order to be eligible for WiPan support, wireless ETCs must submit data to the administrator by July 31 of each calendar year and submit a certification under oath from a company officer attesting that the cost information is true and accurate.

#### 54.1100 Total Lines and Voice-only Lines for WiPan algorithm

(a) Each wireless CETC shall compute its total lines in service as of December 31 of each year for input into the WiPan HCL algorithm. This amount is input on line 60 of the HCL algorithm.

(b) Each wireless CETC shall compute its voice-only lines in service as of December 31 of each year for input into the WiPan algorithms. This amount is input on line 70 of the HCL algorithm and line 50 of the ESS algorithm.

#### 54.1169 Wireless Carrier Actual Cost (WiPan) Algorithm

In order to be eligible for loop support, each wireless CETC must complete by July 31 of each year the WiPan HCL data request.

#### 54.1200 Wireless IntraMSA ratio

(a) This ratio is developed for the study area using the traffic (MOUs) that is both originated and terminated within the MSA to the total traffic within the study area. For study areas outside an MSA, the factor will be developed using the intrastudy area traffic compared to total traffic. This amount is the input for line 710 of the WiPan HCL algorithm.

(b) If the company does not have the capability of measuring the MOUs or chooses not to measure, a default ratio of 0.5 will be used at line 710 of the WiPan HCL algorithm.

54.1300      Equivalent Switching Support (ESS)

(a) *Calculation of equivalent switching support.*

(1) Beginning January 1, 2009, a competitive exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines shall receive support for local switching costs using the following formula: the carrier's projected annual equivalent switching revenue requirement, calculated pursuant to paragraph (d) of this section, shall be multiplied by the equivalent switching support factor.

(2) *Equivalent switching support factor.*

(i) The equivalent switching support factor shall be defined as the difference between the 2007 weighted interstate DEM factor, calculated pursuant to 36.125(f) of this chapter, and the 2007 unweighted interstate DEM factor. If the CETC is unable to perform this calculation, a default factor of 15% will be utilized for the 2007 unweighted interstate DEM factor.

(ii) If the number of a study area's voice lines increases such that, under 36.125(f) of this chapter, the weighted interstate DEM factor for 2007 or any successive year would be reduced, that lower weighted interstate DEM factor shall be applied to the carrier's 2007 unweighted interstate DEM factor to derive a new equivalent switching support factor.

(3) Beginning January 1, 2009, the sum of the unweighted interstate DEM factor, as defined in 36.125(a)(5) of this chapter, and the equivalent switching support factor shall not exceed 0.85. If the sum of those two factors would exceed 0.85, the equivalent switching support factor shall be reduced to a level that would reduce the sum of the factors to 0.85.

(b) *Submission of data to the Administrator.* Each competitive carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer voice lines shall, for each study area, provide the Administrator with the projected total dollar amounts assigned to each account listed below for the calendar year following each filing. The information must be provided to the Administrator no later than October 1 of each year. The Administrator shall use this information to calculate the projected annual equivalent switching revenue requirement pursuant to paragraph (d) of this section.

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A	
Telecommunications Plant in Service (TPIS)	Account 8100
Telecommunications Plant – Other	Account 8102, 8103; 8105*
General Support Assets	Account 8212
Wireless Equipment – Switching	Account 8221
Wireless Equipment – Operator	Account 8222
Wireless Equipment – Transmission and Towers	Account 8223
Wireless Equipment – Switching, Category X	Account 8221, Cat. X
Hand Set Costs	Account 8231
Spectrum Costs	Account 8242
Amortizable Tangible Assets	Account 8268
Intangibles	Account 8269
* If approved by the Commission	
B	
Material and Supplies	Account 8122
Cash Working Capital	Defined in 47 CFR 65.820(d)
C	
Accumulated Depreciation	Account 8171
Accumulated Amortization	Account 8172
Net Deferred Operating Income Taxes	Account 8175, 8176
Network Support Expenses	Account 8601
General Support Expenses	Account 8602
Wireless Switching Expenses	Account 8604
Operator Expenses	Account 8605
Wireless Transmission Expenses	Account 8606
Handset Expense	Account 8631
Wireless Spectrum Expenses	Account 8610
Other property, plant and equipment expense	Account 8612
Network Operations Expenses	Account 8611
Access Expense	Account 8640
Depreciation Expense	Account 8608
Customer Services Marketing Expense	Account 8650
Customer Operations Services Expense	Account 8655
Executive and Planning Expenses	Account 8675
General Administrative Expenses	Account 8665
Operating Taxes	Account 8720
Operating Investment Tax Credit – Net	Account 8721
Provision for Deferred Operating Income Taxes – net	Account 8725
Allowance for Funds Used During Construction	* per company financials
Charitable Contributions (subject to proposed limit)	Account 8744
Interest and Related Items	Account 8750

D

Other Non-Current Assets	Account 8141
Deferred Maintenance and Retirements	Account 8130
Customer Deposits	Account 8180
Other Long-Term Liabilities	Account 8190

(c) *Allocation of accounts to equivalent switching.* The Administrator shall allocate to equivalent switching, for the applicable accounts as reported pursuant to paragraph (b) of this section as prescribed in this paragraph.

(1) General Support Assets (Account 8212); Amortizable Tangible Assets (Account 8268); Intangibles (Account 8269); and General Support Expenses (Account 8602) shall be allocated according to the following factor:

$$\text{Account 8221 Category X} / (\text{Account 8221} + \text{Account 8222} + \text{Account 8223} + \text{Account 8231} + \text{Account 8242}).$$

(2) Telecommunications Plant – Other (Accounts 8102 and 8103; plus 8105 if the carrier has Commission approval for the adjustment ); Materials and Supplies (Account 8122); Cash Working Capital (Section 65.802(d) of this chapter); Accumulated Amortization (included in Account 8172); Net Deferred Operating Income Taxes (Accounts 8175 and 8176); Network Support Expenses (Account 8601); Other Property, Plant and Equipment Expenses (Account 8612); Network Operations Expenses (Account 8611); Marketing Expense (Account 8650); Services Expense (Account 8655); Operating Taxes (Accounts 8720 – portion related to state and local income taxes, Account 8730); Federal Investment Tax Credits (Account 8721); Provision for Deferred Operating Income Taxes – Net (Account 8725); Interest and Related Items (Account 8750); any Allowance for Funds Used During Construction; Charitable Contributions as defined in Account 8744; Other Non-current Assets (Account 8141); Customer Deposits (Account 8180); Other Long-term Liabilities (Account 8190); and Deferred Maintenance and Retirements (Account 8130) shall be allocated according to the following factor:

$$\text{Account 8221 Category X} / \text{Account 8100}$$

(3) Accumulated Depreciation for Wireless switching (Account 8171 subaccount) and Depreciation and Amortization Expense for Wireless switching (Account 8608 subaccount) shall be allocated according to the following factor:

$$\text{Account 8221 Category X} / \text{Account 8221}$$

(4) Accumulated Depreciation for General Support Assets (Account 8171 subaccount) and Depreciation and Amortization Expense for General

Support Assets (Account 8608 subaccount) shall be allocated according to the following factor:

$$\text{Account 8221 Category X} / \text{Account 8100}$$

(5) Corporate Operations Expenses (Account 8665 and 8675) shall be allocated according to the following factor:

$$\begin{aligned} & [[\text{Account 8221 Category X} / (\text{Account 8221} + \text{Account 8222} + \\ & \text{Account 8223})] * (\text{Account 8604} + \text{Account 8605} + \text{Account 8606})] + [(\text{Account 8611} + \\ & \text{Account 8650} + \text{Account 8655}) * (\text{Account 8221 Category X} / \text{Account 8100})] / \\ & (\text{Account 8604} + \text{Account 8605} + \text{Account 8606} + \text{Account 8631} + \text{Account 8610} + \\ & \text{Account 8611} + \text{Account 8650} + \text{Account 8655}). \end{aligned}$$

(6) Wireless Switching expenses (Account 8604), Operator expenses (Account 8605), and Wireless Transmission expenses (Account 8606) shall be allocated according to the following factor:

$$\text{Account 8221 Category X} / (\text{Account 8221} + \text{Account 8222} + \text{Account 8223})$$

(d) *Calculation of the projected annual equivalent switching revenue requirement.* The Administrator shall calculate the projected annual equivalent switching revenue requirement by summing the components listed in this paragraph.

(1) Return on Investment attributable to Wireless Switching Category X shall be obtained by multiplying the average projected equivalent switching net investment by the authorized interstate rate of return. Projected equivalent switching net investment shall be calculated as of each December 31 by deducting the accumulated reserves, deferrals and customer deposits attributable to the Wireless Switching Equipment Category X investment from the gross investment attributable to Wireless Switching Equipment Category X. The average projected equivalent switching net investment shall be calculated by summing the projected equivalent switching net investment as of December 31 of the calendar year following the filing year and such investment as of December 31 of the filing year and dividing by 2.

(2) Depreciation expense attributable to Wireless Switching Category X investment, allocated pursuant to paragraph (c ) of this section.

(3) All expenses, excluding depreciation expense, are allocated pursuant to paragraph (c ) of this section.

(4) Federal income tax attributable to Wireless Switching Category X shall be calculated using the following formula, with the accounts allocated pursuant to paragraph (c ) of this section:

[Return on Investment attributable to Wireless Switching Category X – AFUDC – Interest – Federal Investment Tax Credits]] \* [Federal Income Tax Rate \* (1 – Federal Income Tax Rate)].

(e) *True-up Adjustment.*

(1) *Submission of true-up data.* Each competitive carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines shall, for each study area, provide the Administrator with the historical total dollar amount assigned to each account for each calendar year no later than 12 months after the end of such calendar year.

(2) *Calculation of true-up adjustment.*

(i) The Administrator shall calculate the historical annual equivalent switching revenue requirement for each carrier when historical data for each calendar year are submitted.

(ii) The Administrator shall calculate each carrier's equivalent switching support payment, calculated pursuant to 54.1300(a), using its historical annual equivalent switching revenue requirement.

(iii) For each carrier receiving equivalent switching support, the Administrator shall calculate the difference between the support payment calculated pursuant to paragraph (e)(2)(ii) of this section and its support payment calculated using its projected annual equivalent switching revenue requirement.

(iv) The Administrator shall adjust each carrier's equivalent switching support payment by the difference calculated in paragraph (e)(2)(iii) of this section no later than 15 months after the end of the calendar year for which historical data are submitted.

54.1360 Account 8221 Category X Factor

(a) The Account 8221 Category X factor shall be set at 1.0, unless the carrier owns or leases a tandem switching capability. In this case, the factor would be set at 0.8.

54.1370 Allowance for Funds used During Construction (AFUDC)

(a) The definition of Allowance for Funds used During Construction for the Equivalent Switching Support is found in any and all amounts that are reflected on the

carrier's financial statements as AFUDC. Such amount will be input in the ESS algorithm input at line 500.

54.1390      Cash working capital

(a) The definition of Cash Working Capital for the Equivalent Switching Support input line 250 is found in Section 65.820(d) of this chapter.

[Current section 54.901(b) is deleted and replaced with 54.1600.]

54.1600      Calculation of Equivalent Scope and Scale Support

(a) Equivalent Scope and Scale Support available to a competitive eligible telecommunications carrier shall equal the WiPan Unseparated Loop Cost as defined in the WiPan HCL algorithm minus:

(1) the study area revenues obtained from end user common line charges imputed at their allowable maximum level per the applicable section 69 rules for ETCs for the calendar year for which the data is computed.

54.1904      Carrier Certification

(a) Carriers that desire to receive support pursuant to this subpart shall file a certification with the Administrator and the Federal Communications Commission stating that all WiPan support provided to such carrier will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Support provided pursuant to this subpart shall only be provided to the extent that the carrier has filed the requisite certification pursuant to this section.

***Terms added to Glossary:***

Equivalent switching revenue requirement - Equivalent switching revenue requirement, as calculated per section 54.1300, is the basis for providing support to CETCs under the ESS mechanism.

Total lines – A wireless carrier's total lines are the total number of lines served as of December 31 (the end of each calendar year).

Voice-only Lines – A wireless carrier's voice-only lines are the number of voice-only lines served as of December 31 (the end of each calendar year).

WiCAC/Panhandle (WiPan) - Costing algorithms based on Wireless Carrier Actual Cost, which is the replacement to the identical support rule that was rescinded by the Commission on [month, date, 2008] in WCD No.05-337 and CC Docket No. 96-45. (FCC 08-xxx)